

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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R 172057Z AUG 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8841

INFO AMEMBASSY LA PAZ

AMEMBASSY SANTIAGO

AMEMBASSY BOGOTA

AMEMBASSY LIMA

AMEMBASSY QUITO

UNCLAS CARACAS 8191

E.O. 11652: N/A

TAGS: EINV, VE

SUBJ: FOREIGN INVESTMENT REGULATIONS MODIFIED

1. GACETA OFICIAL NO. 2052 DATED JULY 20, 1977, (BUT ONLY RELEASED A FEW DAYS AGO) CODIFIES DECISION 103 OF ANDEAN COMMISSION INTO VENEZUELAN LAW. CLIMATE FOR FOREIGN INVESTMENT IN VENEZUELA THEREBY LIBERALIZED IN CERTAIN IMPORTANT RESPECTS. OF SPECIAL SIGNIFICANCE TO AMERICAN INVESTORS IN VENEZUELA ARE THE PROVISIONS SUMMARIZED BELOW.

2. THE FOREIGN HOLDER OF EQUITY IN A MIXED OR NATIONAL COMPANY MAY BE AUTHORIZED TO SUBSCRIBE TO MORE THAN HIS PRO-RATA SHARE IN ANY CAPITAL EXPANSION, AS LONG AS THE FOREIGN INVESTOR'S FINAL PARTICIPATION DOES NOT EXCEED 49 PERCENT PREVIOUSLY, FOREIGN INVESTORS IN A NATIONAL COMPANY COULD NOT ACQUIRE MORE THAN 20PERCENT OF THE EQUITY THROUGH CAPITAL EXPANSION.

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3. A FOREIGN INVESTOR MAY NOW AUTOMATICALLY REINVEST EARNINGS AMOUNTING TO 7PERCENT OF THE COMPANY'S REGISTERED DIRECT FOREIGN INVESTMENT, WITHOUT THE SPECIFIC PERMISSION OF THE GOV. PREVIOUSLY THE FIGURE WAS 5PERCENT.

4. THE VENEZUELAN GOVERNMENT MAY NOW PERMIT FOREIGN COMPANIES ACCESS TO DOMESTIC SOURCES OF SHORT AND MEDIUM TERM CREDIT.

ACCESS TO LONG TERM DOMESTIC CREDIT (OVER THREE YEARS) IS STILL NOT PERMITTED. PREVIOUSLY, FOREIGN COMPANIES HAD ACCESS ONLY TO SHORT TERM CREDITS.

5. FOREIGN COMPANIES REQUIRED UNDER ARTICLE 31 OF DECISION 24 TO TRANSFORM THEMSELVES INTO MIXED OR NATIONAL COMPANIES MAY NOW DO SO THROUGH A CAPITAL EXPANSION PROCESS. IN THE PAST, FOREIGN OWNERS HAD TO "SELL DOWN" OR DIVEST THEMSELVES OF SHARES TO COMPLY WITH THE LAW.

6. SUBJECT TO THE APPROVAL OF THE GOV, FOREIGN INVESTORS MAY TAKE OUT OF THE COUNTRY DIVIDENDS AND OTHER EARNINGS UP TO 20 PERCENT OF THEIR DIRECT INVESTMENT IN THE ENTERPRISE. UNDER THE OLD RULES, THE LIMIT WAS 14PERCENT.

7. EMBASSY POUCHING COPY OF GACETA OFFICIAL CONTAINING TEXT OF DECREE.
VAKY

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Message Attributes

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Disposition Approved on Date:
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Disposition Event:
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Disposition Reason:
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